

Foundation, a private foundation organized by members of our senior management team. Its other mission is to reduce the school drop-out rate by dealing with children and broken families and the social pathologies that take away their desire to learn, their vision and hope for a bright tomorrow. The Company also supports Children Who Want To Smile, a dynamic organization devoted to children with cancer.

We help individuals help themselves. Doral Financial develops and supports innovative programs that promote self-sufficiency, mainly financial literacy. We believe financial education is key to the development and betterment of any community. We understand the significance of financial education for people who work hard for their money and seek to open up a world of opportunity.

Similarly, since a home is one of anyone's most valuable assets, we implement programs that facilitate the dream of home ownership for individuals who would not otherwise be able to afford it. Doral Bank developed the First-Home Club account in conjunction with the Federal Home Loan Bank of New York to help individuals save for their first houses. We provide account holders three dollars for every dollar they save to cover the down payment and closing costs for their first homes.

We are especially gratified that this year Doral Financial provided financing for the privatization of the first government housing project in Puerto Rico that was permitted to sell its units to the tenants. Through the government-sponsored program, some 40 families were able to purchase their homes within the residential project. These families, many of whom had been renting their apartments for more than 30 years, became first-time homeowners.

Financial education for children is also a top priority. Partnering with other organizations, we developed a financial education curriculum and incentive programs for private and public schools in low-income areas. The goal is to provide teachers with extra income and the incentive to go above and beyond what is required to provide their students with the financial skills they will need to succeed as adults.

Doral Financial is involved with *Casa Laura Vicuña*, a non-profit organization located at Barriada Morales, a low-income area in Caguas, Puerto Rico. (See photo on page 21.) Administered by an order of Salesian sisters, it provides an after-school program that focuses on educational and recreational activities to engage and motivate the youth of the area. We recently donated equipment and helped provide needed support for the construction of a library equipped with new computers, plasma television and air conditioners, among other amenities that will facilitate and broaden the center's programs.

Doral Financial partnered with Habitat for Humanity, a non-profit organization dedicated to creating affordable housing through private and public contributions. Families are provided their homes if they have contributed a specified amount of time to their construction and have participated in educational workshops. Doral Financial donated the land that will serve as Habitat's second low-income housing construction site in Puerto Rico. We also provided free office space for Habitat's headquarters in Puerto Rico, and Doral Financial employee volunteers are involved in the process.

Community development is fundamental to our programs. The San Juan sector of Cantera, a distressed community of more than 3,000 homes, is

engaged in an initiative that has served as a development model for other communities in Puerto Rico. We are providing financial assistance to sustain some of their programs, in which residents from the 11 neighborhoods that compose Cantera have the opportunity to serve their community as well as to receive a monthly stipend and grant that can be used to pay for college education.

Doral Bank, in alliance with the Chana Goldstein & Samuel Levis Foundation and the Center for the New Economy, will offer SEED (Saving for Education, Entrepreneurship and Down payment) accounts to Spanish-speaking students in kindergarten through grade three. The program will initiate in Almirante Norte public school in Vega Baja, and will provide children with financial education training, enrolling up to 75 students in Individual Development Accounts (IDAs) that can be used to pay for post-secondary education or a down payment on a house. This is the national program's first initiative in a Hispanic market.

Our company's CSR not only focuses on our two primary markets, but also looks further afield, becoming one of the principal sponsors of the Alliance for the New Humanity, a global non-governmental organization that promotes the timeless values of love, peace, ethics and global consciousness that will one day create a more humane and sustainable planet. Our Chairman of the Board and CEO, Salomón Levis, sits on the Alliance Board of Directors, and a large group of employees volunteers at the organization's Human Forum held in Puerto Rico annually.

Humanity. Sustainability. That's what our commitment to society, local and global, is all about.

Corporate Governance

At Doral Financial we are committed to maintaining a comprehensive and effective corporate governance structure. We believe that good corporate governance and adherence to the highest standards of ethical conduct are key ingredients of our success.

During recent years, we have implemented a number of initiatives that have established an effective framework for corporate governance. Among these are the adoption of Corporate Governance Guidelines, a Code of Business Conduct and Ethics, and an Information Disclosure Policy in addition to the creation of a Financial Disclosure Committee. We have also adopted comprehensive written charters for each of our Board committees and have committed increased resources to our Internal Audit Department.

During 2004, management, the Board of Directors and the Audit Committee dedicated substantial efforts to review and test the effectiveness of our internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002. We are pleased to report that both management and our independent auditors concluded that there were no material weaknesses in our internal controls.

Doral Financial's Board of Directors recognizes that corporate governance guidelines will continue to evolve over time. Accordingly, your Board will continue to reevaluate Doral Financial's corporate governance structure and make changes as deemed appropriate in order to ensure that we always retain the trust and confidence, not only of our shareholders, but also of the marketplace as a whole.

You can review copies of our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Information Disclosure Policy as well as the charters of our Audit, Compensation, Corporate Governance, Nominating, and Risk Policy committees on our website at www.doralfinancial.com.



At the heart of the U.S. Hispanic market

Doral Financial's principal market, Puerto Rico, is the second largest Hispanic market in the United States. No other Hispanic market comes close to the island's status as a homogeneous market, since Puerto Rico's population of nearly four million is virtually all Latino. That has made the island a magnet for companies across the U.S. and elsewhere seeking to penetrate this fastest-growing consumer segment of the U.S. economy.

While Miami ranks higher in per-capita income among Latinos, Puerto Rico is home to half of the 500 largest Hispanic-owned companies in the country, a testament to the island's vibrant economy, consumer market and entrepreneurial culture. As Puerto Rico's economy continues to grow, the island offers fertile ground for the sustained growth of Doral Financial and of our retail and commercial customer base. Doral Financial's 32 years in Puerto Rico also position our Company for growth in underserved multicultural markets elsewhere in the country.

The island's economic fundamentals are practically the same as in the rest of the U.S., mirroring many of the national trends. More than 70% of the labor force is employed in the service industry, but the island also shows several significant differences that make it a more desirable market for Doral Financial Corporation activities.

Chief among the dissimilarities is the fact that Puerto Rico surpasses mainland states in owner-occupied housing. That factor is unique among Hispanic markets in the country, where the average home ownership rate hovers at slightly below 50%, compared to close to 73% in Puerto Rico and 66%

in the country as a whole. Despite the high home ownership in Puerto Rico, a continuing housing shortage for a growing population fuels a constant demand for construction loans and residential mortgages that is higher on the island than it is on the mainland. Puerto Rico also has one of the highest rates of residential mortgage refinancing in the U.S.

Puerto Rico's economy is vibrant. The island is the pharmaceutical capital of the world, with all of the major U.S. and European pharmacos boasting significant operations. Consumerism fuels high retail activity, as new shopping malls continue to sprout throughout both rural and urban areas. The island's workforce is highly educated and bicultural. During the last ten years, the government invested more than \$13 billion in infrastructure construction and improvements, such as the urban train and a new state-of-the-art coliseum, with more slated for the years ahead. The government offers significant incentives for companies to set up operations on the island. Companies are also attracted by the island's position as a crossroads of the Caribbean and a bridge to Latin America.

Tourism remained steady in fiscal 2004. The island received close to 4.9 million business and vacation travelers whose spending surpassed nearly \$3.0 billion. A major new convention center is due to open in 2006. A new deep-water transshipment port is in the works, the Port of the Americas, and the roughly 8,000 acres of land on the former Roosevelt Roads Naval Station are the site for a significant new development projected for the near future.



Puerto Rico: A unique residential mortgage market

Refinancing activity in Puerto Rico is less sensitive to interest rate changes than it is in the mainland U.S. Mortgage refinancing in Puerto Rico tends to be motivated more by debt consolidation than by interest rate savings.

Puerto Rico's real estate has appreciated in value about 5% to 8% per year due to the limited available land and continued high demand for new housing. Borrowers use equity build-up as a means to consolidate high-cost consumer debt of credit cards, auto loans and other types of credit. Consumerism is extremely high in Puerto Rico, which accounts for the success of top-selling retail stores for national chains such as Macy's, JCPenney, and Walgreens, among others.

Furthermore, refinancing activity is strong because interest on mortgage loans is tax deductible under Puerto Rico law, among other reasons. The island, with a population of four million, is an owner-driven society, with home ownership levels close to 73%, compared to the U.S. average of 66%.

The dynamics of the residential market are further encouraged by the government of Puerto Rico, which offers tax incentives to stimulate investment in local securities, including tax-free interest on GNMA securities backed by FHA/VA mortgage loans to finance purchases of newly built homes. It also offers tax incentives to developers in an effort to keep up with the high housing demand.

◀ New residential construction and shopping centers sprout in Carolina, a growing sector in Puerto Rico.

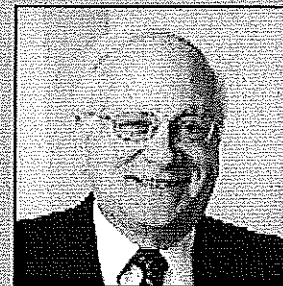
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Corporate Secretary



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President of A & M Contractors,
Member of Audit, Compensation, and
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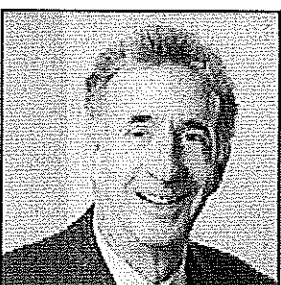
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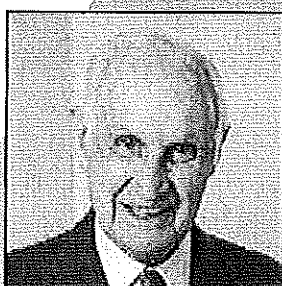


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